A. These overstated retirements were used in the calculation of the Qwest average "remaining life." By pretending this $288 million of investments would retire in 2003, Qwest assigned it a 0.5-year "remaining life."[72] This was included in the 5.5 year average remaining life which Mr. Wu proposes as shown on his Exhibit KDW-1, Statement A.[73] Of course, the vast majority of that $288 million of investments did not retire in 2003, which means their actual remaining life was longer than Qwest pretended. Since only $5.1 million actually retired in 2003, the Qwest average remaining life cannot be reasonably accepted.

Similar overestimates of retirements exist in other near future years in this Qwest remaining life calculation as well.

Q. How was the improper 5.5-year remaining life used by Qwest to calculate the depreciation rate that Qwest proposes for this account?

A. Qwest proposes an 8.1% depreciation rate for this account.[74] That depreciation rate was calculated as shown below:

Depreciation rate = (100%-(percent reserve)-(future net salvage))/ (avg. remaining life)

=(100%-62.6%-(-7%))/5.5 years remaining life

= 8.1%

[72] In depreciation, investments are assumed to retire in the middle of the year.

[73] This 5.5 years is the weighted average of the remaining lives shown on each line of pages 1 and 2 of Schedule WDA-8. Page 2 shows the 5.5 (shown as 5.52927) Pages 3 and 4 show how he calculated those remaining lives. Column C shows the amount he expected to retire in the coming year. For example, at 19.5 years age, he expected $2,508 to retire in the coming year out of each $11,444 surviving investment, or 21.91% of the 19.5 year old plant expected to retire in the coming one year (2003).

[74] Qwest Exhibit KDW-1, Statement A, Column H. Note: This Qwest calculation improperly uses the "start of year" percent reserve, as discussed elsewhere in this testimony.

The improper 5.5 year average remaining life was used to calculate the improper depreciation rate that Qwest proposes.

Q. Please summarize the above point.

A. Contrary to the ACC and USOA requirements, Qwest is not depreciating the investments over the "service life." The "service life" ends when the investments are retired from service. By using figures which do not reflect true retirements or true retirement expectations, Qwest is calculating depreciation over a period which ends prior to the time the investments actually retire from service. Qwest is not depreciating over the "service life." This violates the ACC and USOA requirements.

D. PROJECTION LIVES OF OTHER MAJOR ACCOUNTS

Q. You previously discussed the projection life in the Buried Cable Metallic account. In what accounts did you review the projection lives and future "net salvages"?

A. I reviewed the projection lives and future net salvage values of all accounts in the major investment categories, which are Cable and Wire Facilities (24XX accounts) and Central Office Equipment (22XX accounts). My analysis procedure for these other accounts was similar to the analysis I previously described for the Buried Cable Metallic account.

The accounts in which the Staff recommends a different projection life can be seen in columns D and E of Schedule WDA-12, page 5. The FCC ranges are shown in columns A and B on that same page. The recent observed life is shown in column C.

In all accounts in which Staff is proposing a change in the existing projection life, the new value Staff is proposing is does not exceed the mid-point of the FCC range for that account.[75]

I did not review the lives or net salvage parameters of the Support Assets Accounts (21XX accounts, such as Furniture) or the Other Terminal Equipment account (2362). These account categories are relatively minor compared to the investments in Cable and Wire Facilities and Central Office Equipment. I did not address the minor investment categories in order to focus resources on the significant categories.[76]

Q. What other accounts will you specifically discuss in this testimony?

A. I will discuss the most significant accounts. As shown in Column W on page 2 of Schedule WDA-12, the largest adjustments were in the Digital Switching Equipment, Circuit Digital, and Buried Cable-Metallic accounts. Above I have discussed the Buried Cable-Metallic account, account 2423. I will discuss Digital Switching Equipment and Circuit Digital Equipment below.

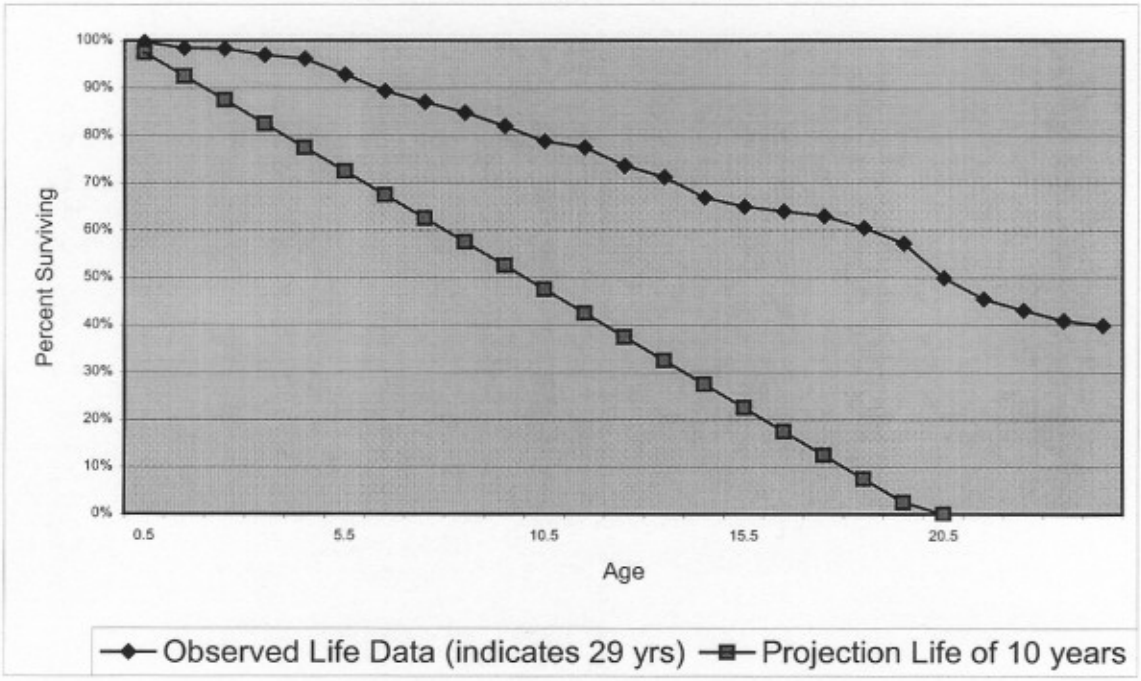
Q. What is some of the key information pertaining to the projection life in the Digital Switching Equipment account, account number 2212?

[75] If the current projection life is outside the FCC range, and Staff has not recommended a change in the projection life in that account, the projection life could continue to be outside of the FCC range.
[76] To simplify the case, I also did not address any possible change to the curve shapes (retirement dispersions).

A. Some relevant information is shown on page 5 of Schedule WDA-12. The observed life is 29 years, as calculated by Qwest based on Qwest activities in the most recent years. The FCC projection life range for this account is 12 to 18 years.

For this account, graphed below is a comparison of the Qwest Arizona "observed" percent survivor curve to the survivor curve for the 10-year "projection life"[77] that Qwest is using:

Graph of Recent Observed Life Data and Qwest Projection Life
Account 2212 - Digital Switching Equipment



As this shows, the 10-year projection life does not match the actual experience and data of Qwest in Arizona. This graph is also part of Schedule WDA-19.

[77] The "dispersion" (Iowa curve) used is also the same as Qwest is using. The 10- year projection life is the same as Qwest is using.

Staff recommends a 15-year projection life, this is mid-range in the FCC range for this account.[78] The average age of the investment in this account is 7.2 years. In the years 2000 through 2003, Qwest retired an average of 2.2% of the investment per year in this account. Since the Qwest construction budget forecast through the year 2005 is the same level of construction Qwest had in 2003, the evidence does not support the belief that this investment will retire an average of 10 years after it was placed in service.

Staff recommends a 15-year projection life for the Digital Switching Equipment account.

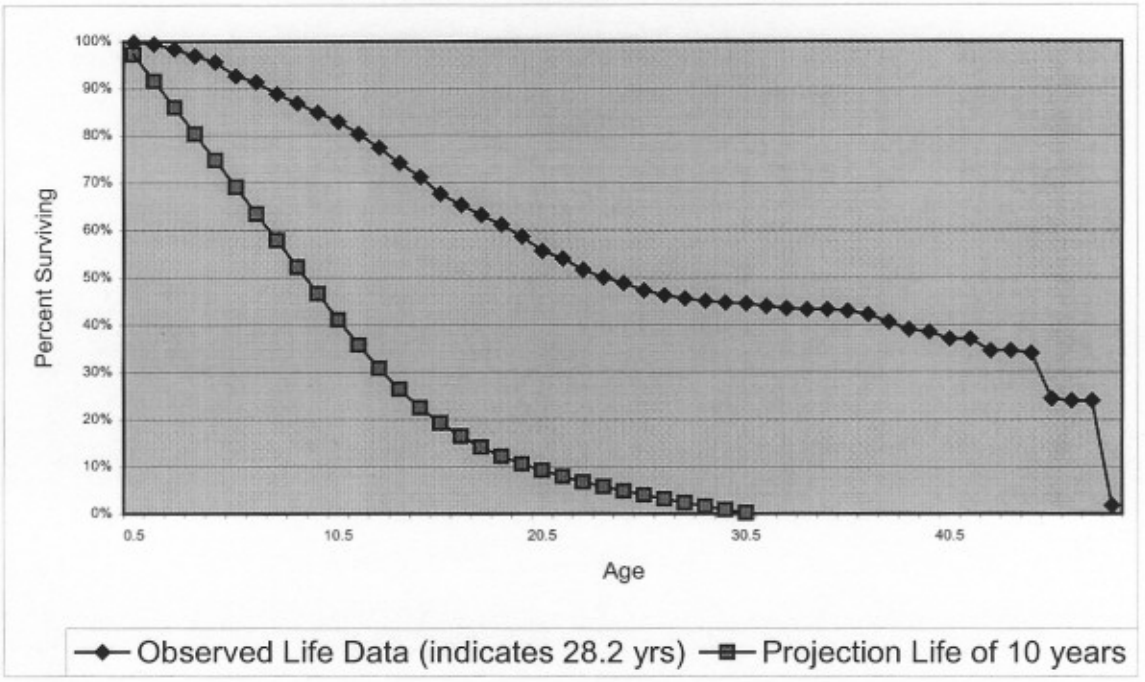
Q. What is some of the key information pertaining to the projection life in the Circuit Digital account, account 2232?

A. Some relevant information is shown on page 5 of Schedule WDA-12. The observed life is 28.2 years, as calculated by Qwest based on Qwest activities in the most recent years. The FCC projection life range for this account is 11 to 13 years.

For this account, graphed below is a comparison of the Qwest Arizona "observed" percent survivor curve to the survivor curve for the 10-year "projection life"[79] that Qwest is using:

[78] The observed life data from prior year bands are also above 15 years.
[79] Exhibit KDW-1, "Parameter Report". The "dispersion" (Iowa curve) used is also the same as Qwest is using.

Graph of Recent Observed Life Data and Qwest Projection Life
Account 2232 - Circuit Digital Equipment



As this shows, the 10-year projection life does not match the actual recent experience and data of Qwest in Arizona. This graph is also part of Schedule WDA-19.

Staff recommends a 12-year projection life. This is the mid-range of the FCC range for this account. Qwest has not provided any plans that indicate any future drastic change in the investment in this account, as compared to recent activities. The average age of the investment in this account is 7.3 years. The currently approved projection life is 10 years. In the years 2000 through 2003, Qwest retired an average of 1.9 % of the investment per year in this account. As previously discussed, Qwest does not plan accelerated

construction in Arizona in the foreseeable future (Qwest standard filing requirement Schedule F-3).

Staff recommends a 12-year projection life for the Circuit Digital account.

E. USE OF CLEC, IXCS OR CATV "FINANCIAL REPORTING" LIVES

Q. In this case Qwest is serving discovery on CLECs/IXCs asking for their "regulated and financial reporting depreciation" information.[80] Is this information relevant?

A. No, for several reasons as will be discussed below.

Q. What is the first reason any such response from the CLECs/IXCs would not be relevant?

A. The Qwest depreciation rates to be determined in this case are for **utility regulatory** purposes. The depreciation rates in this case must be determined following the requirement that apply to **utility regulatory** depreciation. We previously discussed some of the ACC and USOA requirements.

There are many different types of "depreciation," just as there are many different types of doctors. A person with a PhD. in economics is a "doctor" but they are not qualified to operate on you.

[80] Questions 3 through 10, Qwest's First Set of Data Requests To AT&T of the Mountain States, Inc. in this docket, dated July 21, 2004.

Q. Do the CLECs/IXCs calculate depreciation rates using the USOA/ACC requirements that apply to utility regulatory depreciation?

A. No. In the oral argument pertaining to Qwest's Motion to Compel, the AT&T attorney stated that AT&T does not have regulated depreciation rates, and has not calculated depreciation on a utility regulated basis for many years. However, Qwest continued to seek information from AT&T, knowing that any response on "depreciation" will **not** be "depreciation" calculated consistent with the USOA/ACC utility regulatory depreciation requirements.

In a prior proceeding various IXCs/CLECS had already stated that they do not have any depreciation rates calculated on the utility regulatory standards.

In response to the ALJ's Request in Docket No.T-01051B-97-0689, both AT&T and E-spire Communications stated that they had no utility commission-regulated depreciation rates or projected lives:

> Finally, as stated in its January 14, 2000 filing in this docket, AT&T does not have any depreciation rates or projected lives set by state regulatory agencies for purposes of rate of return regulation.[81]

In addition, Cox Arizona Telecom, L.L.C. stated:

> Cox Arizona Telecom, L.L.C. states that: (i) it does not use 'rate of return' depreciation lives or rates…[82]

[81] Page 2, AT&T's Supplemental Comments on Depreciation Rate Schedules filed on February 2, 2000, Docket No. T-01051B-97-0689.
[82] Cox Arizona Telecom, L.L.C.'s Filing on Depreciation Lives and Rates Pursuant to January 7, 2000 Procedural Order. Docket No. T-01051B-97-0689.

In the current case, the Qwest requests to these companies asked for "regulated and financial reporting depreciation" information, but Qwest knew these CLECs/IXCs do not have **utility regulatory** depreciation rates calculated in accordance with the USOA/ACC depreciation requirements. Since these companies do not have **utility regulatory** depreciation rates, the only "depreciation" information they could provide is whatever they have, which might be "depreciation" based on "financial" reporting or "tax" reporting requirements, or other that is not based on the USOA/ACC depreciation requirements. "Depreciation" that is not calculated using the standards which are relevant in this case, is not relevant. Qwest did not limit its request to asking these CLEC/IXCs to provide depreciation information which was based on the USOA/ACC **utility regulatory** depreciation requirements.

Q. Are the "depreciation" rates as determined for "financial reporting" purposes based on the same requirements as depreciation rates for utility regulatory purposes?

A. No. The ACC rules and the USOA contain specific requirements, such as the depreciation must be over the "service life," and the "service life" of an investment is the period which ends on the "date of its retirement from service." The "financial reporting" lives are not calculated based on the USOA/ACC requirements.

The FCC addressed this in its Order on depreciation dated December 30, 1999. The "GAAP" and "SEC" requirements the FCC is discussing below are the requirements which apply to "financial reporting depreciation."

> Additionally, the Commission has previously rejected the incumbent LECs' argument, stating that "GAAP is guided by the conservatism principle which holds, for example, that, when alternative expense amounts are acceptable, the alternative having the least favorable effect on net income should be used." The Commission concluded that, although conservatism is effective in protecting the interests of investors, it may not always serve the interests of ratepayers, and did not offer adequate protection for ratepayers in the case of depreciation accounting. (Citations omitted)
>
> We believe that giving incumbent LECs the right to select, for regulatory purposes, any depreciation rate allowed by GAAP is inappropriate as long as incumbent LECs reserve the right to make claims for regulatory relief based on the increased depreciation that would result from granting them that flexibility. (Citations omitted)
>
> These other safeguards, such as SEC requirements, are not adequate substitutes for depreciation represcription because they are not designed to protect ratepayers, but are designed to protect investor interests. (Citations omitted)[83]

The Qwest requests to the CLECs/IXCs specifically ask for "financial reporting depreciation" information. "Financial reporting depreciation" is determine using different requirements than the requirements which apply to **utility regulatory** depreciation, as the FCC stated in the quotation above. Therefore any "financial reporting depreciation" information is not based on the proper standard for this proceeding.

Q. Does the FCC allow the use of "financial reporting" lives in depreciation which is used to set customer rates?

A. No. The FCC does not allow the use of "financial reporting" rates or lives for purposes that affects ratepayers. As a result of the FCC Order quoted above, the FCC now allows companies which are <u>not</u> rate of return regulated to file "financial reporting" depreciation rates with the FCC, but the FCC does not allow them to use those "financial reporting"

[83]FCC 99-397, paragraphs 48 and 49, December 30, 1999.

depreciation rates in calculations which would impact customer rates. Instead, the FCC stated it would continue to maintain and use the FCC depreciation "ranges" (which are based upon utility depreciations requirements) for depreciation that effects rates. Specifically:

(1) The FCC will not allow the companies to adjust their "price caps" as a result of depreciation rates which result from those "financial" lives.

(2) The FCC uses the "ranges", not the "financial" lives, for determining the cost to be included in the High Cost Fund (HCF),

(3) The FCC uses the "ranges", not the "financial" lives, for purposes of evaluating unbundled network element (UNE) and interconnection rates,

(4) The FCC uses the "ranges", not the "financial" lives, to determine the reasonableness of the price of new services.[84]

In short, the FCC has properly concluded that the "financial" reporting lives or "financial" depreciation rates are not appropriate in calculating a depreciation expense which would be used to set rates charged ratepayers.

Q. Another type of "depreciation" that Qwest might get in response to it requests are "tax" depreciation or "tax" lives. These are used for income tax purposes. Are "tax" lives determined using the same standards as apply to utility regulatory depreciation?

A. No. A widely recognized utility regulatory depreciation text warned against such an improper comparison.

[84]Paragraphs 34 and 39, FCC Order 99-397 CC Docket No. 98-137, released December 30, 1999.

Public Utilities Depreciation Practices published by NARUC is the widely accepted public utility depreciation practices text. On page 20, it states:

> It is important to note the difference in purpose of book depreciation and tax depreciation. Book depreciation is a cost allocation process used to satisfy specific accounting and regulatory principles and requirements, whereas tax depreciation provides additional tax and financial incentives unrelated to the strict cost allocation process.[85]

The "tax" lives are calculated on requirements that are very different from the "service lives", which are required for utility regulatory proceedings. For example, the tax code applied a 15-year "tax" life to a rental house that I own.[86] This house is now less than 30 years old, but was fully depreciated for income tax purposes several years ago. This "tax" life is clearly much shorter than the actual life or "service life." In the real world, this house has many decades of service life left before retirement.

At the end of the 15 year tax life, the tax code also assumes this rental house I own has zero market value (zero "net salvage"). In reality, this house has a very significant market value. It is a three-bedroom house (with fireplace) in a good neighborhood.

As the above true example illustrates, "depreciation" can be very different, depending on what standard is used.

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[85]Page 20, Public Utilities Depreciation Practices, NARUC, August, 1996.

[86]2077 Scarbrough, Springfield, Illinois. Department of the Treasury, Internal Revenue Service, Publication 9946, "How to Depreciate Property." The lives for calculating depreciation for federal income tax purposes for residential rental property generally ranges from 15 years to 27.5 years, depending primarily upon when the property was placed in service. The depreciation rate applies to the building. The lot does not depreciate.

Q. Are the "lives," "percent reserves," or "net salvage" figures of an IXC, CLEC or CATV company relevant when calculating the utility depreciation rate of a specific account for Qwest in Arizona?

A. No. The formula we use to calculate the Qwest regulated utility depreciation rate for a specific account is as follows:

Depreciation rate = (100%-(percent reserve)-(future net salvage))/ (avg. remaining life)

The values specific to the specific company and specific account are used in the calculation.

For example the Qwest Arizona "percent reserve" for the buried cable metallic account is 71.1%, and that is what is properly used in the calculation of the Qwest Arizona depreciation rate for that account. If a CLEC or IXC has a 30% reserve in some account, so what? That CLEC's or IXC's "percent reserve" figure is not the correct figure for the Qwest Arizona buried cable metallic account. Likewise, the lives or net salvage figures of an IXC or CLEC do not have any place in the calculation of the Qwest Arizona buried cable metallic depreciation rate.

Q. Is the equipment, and industry, different for IXCs as compared to LECs?

A. Yes. The FCC has specifically stated that because of significant differences in these two types of companies, for the IXCs are not comparable to the ILECs for depreciation purposes:

> Additionally, the depreciation practices of IXCs and incumbent LECs are not directly comparable because they use different types of switches and cables.[87]

The FCC further stated,

> ...the underlying conditions that go into estimating the basic factors for interexchange carriers (IXCs) and incumbent LECs are sufficiently different for the two groups that they should be considered differently.[88]

Q. In addition to the above, why must the "service lives" be used to properly calculate the regulatory depreciation rates, instead of using some "financial reporting" or "tax life"?

A. The service life must properly be used to calculate the regulatory depreciation rates because that is consistent with how the regulatory utility depreciation rates are applied. The USOA generally requires the depreciation rates apply to the investment all of the time the investment is "in service."[89] If the regulatory depreciation rates were calculated using "financial" or "tax" lives which were different than the "service lives," then those depreciation rates would be inconsistent with the way the depreciation rates will be applied under the USOA. For example, assume an investment will be "in service" ten years before it retires. In order for that investment to fully recover by the time the investment retires, a depreciation rate of 10% might be appropriate.[90] If a 10% depreciation rate applies in each of the ten years the plant is "in service", this will generate depreciation accruals equal to 100% of the investment by the time the investment retires. The investment would be "fully depreciated" when it retired, which is the desired result. However, if the depreciation rate was calculated improperly using a

[87]Paragraph 18, FCC 99-397, December 30, 1999.
[88]Footnote 54, FCC 99-397, December 30, 1999.
[89]USOA, Part 32.2000(g)(2)(iii)
[90]This assumes zero net salvage. This simplified example assumes one unit utilized the ten years.

five year "financial reporting" life, the depreciation rate calculated would be 20%. A 20% depreciation rate applied in each of the ten years of the "service life" before the investment retired would produce 200% in depreciation accruals, which is over-depreciating.[91]

Q. Can you summarize this issue?

A. Yes, the "depreciation" information Qwest is trying to obtain from CLECs and IXCs is not relevant in this proceeding for several reasons:

(1) The CLEC/IXC's depreciation rates are not utility regulatory depreciation rates calculated consistent with the USOA/ACC requirements. "Financial reporting" depreciation or "tax" depreciation is not calculated on the USOA/ACC utility regulatory standards.

(2) The IXCs are different than the ILECs, as the FCC has stated.

(3) The "percent reserve" or other parameter used in calculating the depreciation rate for a specific Qwest account should be the Qwest values, not a CLEC's or IXC's values.

(4) There would be a mismatch of the way utility regulated depreciation rates are applied if depreciation rates are calculated on a different standard.

F. "FUTURE NET SALVAGE" UPDATES

[91] The Company might cease depreciation accruals when the account becomes fully depreciated. In that event, the depreciation rate would be at 20% for the first five years of the service life, and 0% for the last five years of the service life. That would result in over-charging the customers during the first five years, which violates "inter-generational" equity. This would also be contrary to the requirement that depreciation be on the "straight-line method during the service life of the property," as required by USOA. (USOA, §32.2000(g)(i))

Q. Did you review the "future net salvage" percents of the major accounts?

A. Yes. I have reviewed the "future net salvage" values for the central office and cable and wire facilities accounts.

The accounts in which the Staff recommends a different future "net salvage" value can be seen in columns J and K of Schedule WDA-12, page 5. The FCC future "net salvage" ranges are shown in columns F and G on that same page. The recent observed net salvage values are shown in columns H and I.

"Future net salvage" is one of the factors (some times called "parameters") used in calculating the depreciation rates.[92] As shown on page 5 of Schedule WDA-12, for eleven accounts, Staff recommends "future net salvage" values that are different than the values currently in use. Most of these changes have a relatively small impact, and eight of the eleven changes are changes that make the depreciation rate higher than it would have been if I had not changed the net salvage value. In other words, eight of these changes are in Qwest's favor. The three salvage changes that have the effect of decreasing the depreciation rate are the change to the Pole Lines account, and the changes to two fiber (non-metallic) cable accounts (non-metallic subaccounts of Accounts 2421, and 2423). In all accounts in which Staff proposes a revised future net salvage value, the value Staff proposes was not above the middle of the FCC "net salvage" range for that account.

[92] The net salvage is the "gross salvage" less the "cost of removal". It is often presented as a percent of original cost. Net salvage can be a negative number or negative percent. For example, if the scrap (or resale) value of a retiring item was $10, but the cost of removing it was $30, that would be a -$20 net salvage. If the original cost of that item was $100, that would be a –20% net salvage (-$20/$100=-20%)

Q. Please discuss the adjustment to the "future net salvage" in the Pole Line account.

A. The current value for this account is –138%. Qwest provided data showing the actual net salvage averaged –72.4 % over the years for which data was provided (1983 through 2003). This Qwest provided document is attached as Schedule WDA-13. As also shown on that document, the average net salvage for the last ten years was –87.2%. Both of these figures are significantly different than the –138% value currently in use. The FCC range for this account is –75% to –50%. I selected –75%. This is within the FCC range. This is the most negative of the FCC range (produces a higher depreciation rate than any other value in the range). –75% is near the –72.4% value for all years, and the –87.4% value for the last yen years. Based on the actual Qwest data In Arizona, –75% future net salvage is a much better value than the continued use of –138%.

Q. Would you please address the adjustment to the "future net salvage" in the non-metallic cable accounts?

A. Yes. The analysis was similar to what I just described for the Pole Line accounts. Aerial Cable-Non-Metallic is the largest change in net salvage non-metallic account, so I will use it to explain the analysis.

The current prescribed net salvage value for this account is –27%. Qwest provided data showing the actual net salvage averaged -6.8% over the years for which data was provided (1988 through 2003) and the average for the last ten years was -9.3%. The actual data indicated the factor should be adjusted in the positive direction. However the

FCC range for this account is –25% to –10% (with –17.5% as middle of the range), so I could not adjust as far positive as the data indicated, while not going above the middle of the FCC range. I adjusted as positive as I could up to the middle of the FCC range, which was to –17.5%. A more positive number (such as -10%) would have resulted in a lower depreciation rate than I am recommending, but to be conservative, I did not go above the middle of the FCC range.

Q. What does Staff you recommend pertaining to the depreciation rates in this proceeding?

A. Staff recommends the depreciation rates shown in Column L of Schedule WDA-12, Page 1, for the reasons discussed above. These depreciation rates are calculated following the USOA/ACC requirements. These depreciation rates are based on the actual Qwest Arizona data and plans.

The "projection lives" Qwest used in its calculations are clearly inconsistent with the actual Qwest Arizona data, as shown on Schedule WDA-19. The retirement amounts Qwest used in its calculation are clearly inconsistent with the actual Qwest Arizona retirements. An example of this is shown on Schedule WDA-6 for the buried cable metallic account.

V. "PERCENT CONDITION"

Q. Do the revised depreciation rates that Staff has recommended impact the "percent condition" which is used in the "fair value" rate base calculations?

A. Yes. Certain values from the depreciation calculations are used in the "percent condition" calculations. The "percent condition" calculations impact the "fair value" rate base, but do not impact the "original cost" rate base calculations.

Schedule WDA-17 shows the "percent condition" values consistent with the depreciation rates proposed by Staff.

Q. Other than the charges related to the depreciation rates, is there another problem with the "percent condition" values as proposed by Qwest?

A. Yes. Other than the issues related to the depreciation rates used, there is another problem with Qwest's "percent condition" calculation. In response to request WDA 04-007, Qwest stated that the Qwest "percent condition" calculations were on a "vintage group (VG) basis." However, this Commission uses Equal Life Group (ELG), so the basis of these Qwest calculations was incorrect. In response to WDA 04-009, Qwest acknowledged that the "ELG" remaining life value was the "correct" remaining life, not the "vintage group" (VG) remaining life that Qwest had used in its "percent condition" calculations. I have corrected these problems on Schedule WDA-17, in addition to utilizing the values associated with the Staff recommended depreciation rates.

VI. CONCLUSION

Q. Could you summarize your major recommendations?

A. Yes. For the reasons presented in this testimony:

(1) I recommend the adjustment shown on Schedule WDA-15. This adjustment removes from the intrastate jurisdiction the direct costs of interstate DSL service. This is incorporated into adjustments B-3 and C-6 in the Staff accounting schedules.

(2) I recommend the adjustments shown on Schedule WDA-18. This imputes the construction charges that BSI should have paid to QC for the "video only" USAMs. This is incorporated into adjustments B-4 and C-7 in the Staff accounting schedules.

(3) I recommend the end-of-test-year "percent reserve" values be used in the depreciation rate calculations. Qwest is using the values as of the start of the 2003 test year, but the Commission filing requirements require end-of-test-year values be used. The result of this adjustment is shown in column H of page 1 of Schedule WDA-12. This adjustment is incorporated into adjustment C-22 in the Staff accounting schedules.

(4) I recommend the revised "projection lives" and "future net salvage" values shown in columns E and K of Schedule WDA-12, page 5. This adjustment is incorporated into adjustment C-23 in the Staff accounting schedules.

As a result of items (3) and (4) above, I recommend the depreciation rates shown in Column L of Schedule WDA-12, page 1.

(5) I recommend the "percent condition" values shown on Schedule WDA-17. The "percent condition" calculations impact the "fair value" rate base, but do not impact the "original cost" rate base calculations.

William Dunkel, Consultant
8625 Farmington Cemetery Road
Pleasant Plains, Illinois 62677

Qualifications

The Consultant is a consulting engineer specializing in telecommunication regulatory proceedings. He has participated in over 140 state regulatory proceedings as listed on the attached Relevant Work Experience.

The Consultant has provided cost analysis, rate design, jurisdictional separations, depreciation, expert testimony and other related services to state agencies throughout the country in numerous telecommunication state proceedings. The Consultant has also provided depreciation testimony to state agencies throughout the country in several electric utility proceedings.

The Consultant made a presentation pertaining to Video Dial Tone at the NASUCA 1993 Mid-Year Meeting held in St. Louis.

In addition, the Consultant also made a presentation to the NARUC Subcommittee on Economics and Finance at the NARUC Summer Meetings held in July, 1992. That presentation was entitled "The Reason the Industry Wants to Eliminate Cost Based Regulation--Telecommunications is a Declining Cost Industry."

The Consultant provides services almost exclusively to public agencies, including the Public Utilities Commission, the Public Counsel, or the State Department of Administration in various states.

William Dunkel currently provides, or in the past has provided, services in telecommunications proceedings to the following clients:

The Public Utility Commission or the Staffs in the States of:

Arkansas	Mississippi
Arizona	Missouri
Delaware	New Mexico
Georgia	Utah
Guam	Virginia
Illinois	Washington
Maryland	U.S. Virgin Islands

The Office of the Public Advocate, or its equivalent, in the States of:

Colorado	Maryland
District of Columbia	Missouri
Georgia	New Jersey
Hawaii	New Mexico
Illinois	Ohio
Indiana	Pennsylvania
Iowa	Utah
Maine	Washington

The Department of Administration in the States of:

Illinois	South Dakota
Minnesota	Wisconsin

In April, 1974, the Consultant was employed by the Illinois Commerce Commission in the Electric Section as a Utility Engineer. In November of 1975, he transferred to the Telephone Section of the Illinois Commerce Commission and from that time until July, 1980, he participated in essentially all telephone rate cases and other telephone rate matters that were set for hearing in the State of Illinois. During that period, he testified as an expert witness in numerous rate design cases and tariff filings in the areas of rate design, cost studies and separations. During the period 1975-1980, he was the Separations and Settlements expert for the Staff of the Illinois Commerce Commission.

From July, 1977 until July, 1980, he was a Staff member of the FCC-State Joint Board on Separations, concerning the "Impact of Customer Provision of Terminal Equipment on Jurisdictional Separations" in FCC Docket No. 20981 on behalf of the Illinois Commerce Commission. The FCC-State Joint Board is the national board which specifies the rules for separations in the telephone industry.

The Consultant has taken the AT&T separations school which is normally provided to the AT&T personnel.

The Consultant has taken the General Telephone separations school which is normally provided for training of the General Telephone Company personnel in separations.

Since July, 1980 he has been regularly employed as an independent consultant in telephone rate proceedings across the nation.

He has testified before the Illinois House of Representatives Subcommittee on Communications, as well as participating in numerous other schools and conferences pertaining to the utility industry.

Prior to employment at the Illinois Commerce Commission, the Consultant was a design engineer for Sangamo Electric Company designing electric watt-hour meters used in the electric utility industry. The Consultant was granted patent No. 3822400 for a solid state meter pulse initiator.

The Consultant graduated from the University of Illinois in February, 1970 with a Bachelor's of Science Degree in Engineering Physics with emphasis on economics and other business-related subjects. The Consultant has taken several post-graduate courses since graduation.

RELEVANT WORK EXPERIENCE OF WILLIAM DUNKEL

ALASKA

- ACS	
General rate case	Docket Nos. U-01-83, U-01-85, U-01-87
AFOR proceeding	Docket No. R-03-003
- All Companies	
Access charge proceeding	Docket No. R-01-001

ARIZONA

- U.S. West Communications	Cost of Service Study
Wholesale cost/UNE case	Docket No. T-00000A-00-0194
General rate case	Docket No. E-1051-93-183
Depreciation case	Docket No. T-01051B-97-0689
General rate case	Docket No. T-01051B-99-0105

ARKANSAS

- Southwestern Bell Telephone Company	Docket No. 83-045-U

CALIFORNIA

(on behalf of the Office of Ratepayer Advocates (ORA))

- Kerman Telephone General Rate Case	A.02-01-004

(on behalf of the California Cable Television Association)

- General Telephone of California	I.87-11-033
- Pacific Bell	
Fiber Beyond the Feeder Pre-Approval Requirement	

COLORADO

- Mountain Bell Telephone Company	
General Rate Case	Docket No. 96A-218T et al.
Call Trace Case	Docket No. 92S-040T
Caller ID Case	Docket No. 91A-462T
General Rate Case	Docket No. 90S-544T
Local Calling Area Case	Docket No. 1766
General Rate Case	Docket No. 1720
General Rate Case	Docket No. 1700
General Rate Case	Docket No. 1655
General Rate Case	Docket No. 1575
Measured Services Case	Docket No. 1620
- Independent Telephone Companies	

Cost Allocation Methods Case	Docket No. 89R-608T

DELAWARE

- Diamond State Telephone Company	
General Rate Case	PSC Docket No. 82-32
General Rate Case	PSC Docket No. 84-33
Report on Small Centrex	PSC Docket No. 85-32T
General Rate Case	PSC Docket No. 86-20
Centrex Cost Proceeding	PSC Docket No. 86-34

DISTRICT OF COLUMBIA

- C&P Telephone Company of D.C.	
Depreciation issues	Formal Case No. 926

FCC

- Review of jurisdictional separations	FCC Docket No. 96-45
- Developing a Unified Intercarrier Compensation Regime	CC Docket No. 01-92

FLORIDA

- BellSouth, GTE, and Sprint	
Fair and reasonable rates	Undocketed Special Project

GEORGIA

- Southern Bell Telephone & Telegraph Co.	
General Rate Proceeding	Docket No. 3231-U
General Rate Proceeding	Docket No. 3465-U
General Rate Proceeding	Docket No. 3286-U
General Rate Proceeding	Docket No. 3393-U

HAWAII

- GTE Hawaiian Telephone Company	
Depreciation/separations issues	Docket No. 94-0298
Resale case	Docket No. 7702

ILLINOIS

- Commonwealth Edison Company	
General Rate Proceeding	Docket No. 80-0546
General Rate Proceeding	Docket No. 82-0026
Section 50	Docket No. 59008
Section 55	Docket No. 59064

Section 50	Docket No. 59314
Section 55	Docket No. 59704
- Central Illinois Public Service	
Section 55	Docket No. 58953
Section 55	Docket No. 58999
Section 55	Docket No. 59000
Exchange of Facilities (Illinois Power)	Docket No. 59497
General Rate Increase	Docket No. 59784
Section 55	Docket No. 59677
- South Beloit	
General Rate Case	Docket No. 59078
- Illinois Power	
Section 55	Docket No. 59281
Interconnection	Docket No. 59435
- Verizon North Inc. and Verizon South Inc.	Docket No. 02-0560
DSL Waiver Petition Proceeding	
- Geneseo Telephone Company	
EAS case	Docket No. 99-0412
- Central Telephone Company	
(Staunton merger)	Docket No. 78-0595
- General Telephone & Electronics Co.	
Usage sensitive service case	Docket Nos. 98-0200/98-0537
General rate case (on behalf of CUB)	Docket No. 93-0301
(Usage sensitive rates)	Docket No. 79-0141
(Data Service)	Docket No. 79-0310
(Certificate)	Docket No. 79-0499
(Certificate)	Docket No. 79-0500
- General Telephone Co.	Docket No. 80-0389
- SBC	
Imputation Requirement	Docket No. 04-0461
Implement UNE Law	Docket No. 03-0323
UNE Rate Case	Docket No. 02-0864
Alternative Regulation Review	Docket No. 98-0252
- Ameritech (Illinois Bell Telephone Company)	
Area code split case	Docket No. 94-0315
General Rate Case	Docket No. 83-0005
(Centrex filing)	Docket No. 84-0111
General Rate Proceeding	Docket No. 81-0478
(Call Lamp Indicator)	Docket No. 77-0755
(Com Key 1434)	Docket No. 77-0756
(Card dialers)	Docket No. 77-0757
(Concentration Identifier)	Docket No. 78-0005

(Voice of the People)	Docket No. 78-0028
(General rate increase)	Docket No. 78-0034
(Dimension)	Docket No. 78-0086
(Customer controlled Centrex)	Docket No. 78-0243
(TAS)	Docket No. 78-0031
(Ill. Consolidated Lease)	Docket No. 78-0473
(EAS Inquiry)	Docket No. 78-0531
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(Carle Clinic)	Docket No. 79-0132
(Private line rates)	Docket No. 79-0143
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(Dataphone)	Docket No. 79-0237
(Com Key 718)	Docket No. 79-0365
(Complaint - switchboard)	Docket No. 79-0380
(Porta printer)	Docket No. 79-0381
(General rate case)	Docket No. 79-0438
(Certificate)	Docket No. 79-0501
(General rate case)	Docket No. 80-0010
(Other minor proceedings)	Docket No. various
- Home Telephone Company	Docket No. 80-0220
- Northwestern Telephone Company	
Local and EAS rates	Docket No. 79-0142
EAS	Docket No. 79-0519

INDIANA

- Public Service of Indiana (PSI)	
Depreciation issues	Cause No. 39584
- Indianapolis Power and Light Company	
Depreciation issues	Cause No. 39938

IOWA

- U S West Communications, Inc.	
Local Exchange Competition	Docket No. RMU-95-5
Local Network Interconnection	Docket No. RPU-95-10
General Rate Case	Docket No. RPU-95-11

KANSAS

- Southwestern Bell Telephone Company	
Commission Investigation of the KUSF	Docket No. 98-SWBT-677-GIT
- Rural Telephone Service Company	
Audit and General rate proceeding	Docket No. 00-RRLT-083-AUD

Request for supplemental KUSF	Docket No. 00-RRLT-518-KSF
- Southern Kansas Telephone Company	
Audit and General rate proceeding	Docket No. 01-SNKT-544-AUD
- Pioneer Telephone Company	
Audit and General rate proceeding	Docket No. 01-PNRT-929-AUD
- Craw-Kan Telephone Cooperative, Inc.	
Audit and General rate proceeding	Docket No. 01-CRKT-713-AUD
- Sunflower Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 01-SFLT-879-AUD
- Bluestem Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 01-BSST-878-AUD
- Home Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 02-HOMT-209-AUD
- Wilson Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 02-WLST-210-AUD
- S&T Telephone Cooperative Association, Inc.	
Audit and General rate proceeding	Docket No. 02-S&TT-390-AUD
- Blue Valley Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 02-BLVT-377-AUD
- JBN Telephone Company	
Audit and General rate proceeding	Docket No. 02-JBNT-846-AUD
- S&A Telephone Company	
Audit and General rate proceeding	Docket No. 03-S&AT-160-AUD
- Wheat State Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 03-WHST-503-AUD
- Haviland Telephone Company, Inc.	
Audit and General rate proceeding	Docket No. 03-HVDT-664-RTS
- Twin Valley Telephone, Inc.	
Audit and General rate proceeding	Docket No. 03-TWVT-1031-AUD
- Golden Belt Telephone Association	
Audit and General rate proceeding	Docket No. 04-GNBT-130-AUD

MAINE

- New England Telephone Company	
General rate proceeding	Docket No. 92-130

MARYLAND

- Chesapeake and Potomac Telephone Company	
General rate proceeding	Docket No. 7851
Cost Allocation Manual Case	Case No. 8333
Cost Allocation Issues Case	Case No. 8462
- Verizon Maryland	

PICC rate case	Case No. 8862
USF case	Case No. 8745
- Washington Gas Light Company	
Depreciation Rate Case	Case No. 8960

MINNESOTA

- Access charge (all companies)	Docket No. P-321/CI-83-203
- U. S. West Communications, Inc. (Northwestern Bell Telephone Co.)	
Centrex/Centron proceeding	Docket No. P-421/91-EM-1002
General rate proceeding	Docket No. P-321/M-80-306
Centrex Dockets	MPUC No. P-421/M-83-466
	MPUC No. P-421/M-84-24
	MPUC No. P-421/M-84-25
	MPUC No. P-421/M-84-26
General rate proceeding	MPUC No. P-421/GR-80-911
General rate proceeding	MPUC No. P-421/GR-82-203
General rate case	MPUC No. P-421/GR-83-600
WATS investigation	MPUC No. P-421/CI-84-454
Access charge case	MPUC No. P-421/CI-85-352
Access charge case	MPUC No. P-421/M-86-53
Toll Compensation case	MPUC No. P-999/CI-85-582
Private Line proceeding	Docket No. P-421/M-86-508
- AT&T	
Intrastate Interexchange	Docket No. P-442/M-87-54

MISSISSIPPI

- South Central Bell	
General rate filing	Docket No. U-4415

MISSOURI

- Southwestern Bell	
General rate proceeding	TR-79-213
General rate proceeding	TR-80-256
General rate proceeding	TR-82-199
General rate proceeding	TR-86-84
General rate proceeding	TC-89-14, et al.
Alternative Regulation	TC-93-224/TO-93-192
- United Telephone Company	
Depreciation proceeding	TR-93-181
- All companies	
Extended Area Service	TO-86-8

EMS investigation	TO-87-131
Cost of Access Proceeding	TR-2001-65

NEW JERSEY

- New Jersey Bell Telephone Company

General rate proceeding	Docket No. 802-135
General rate proceeding	BPU No. 815-458 OAL No. 3073-81
Phase I - General rate case	BPU No. 8211-1030 OAL No. PUC10506-82
General rate case	BPU No. 848-856 OAL No. PUC06250-84
Division of regulated from competitive services	BPU No. TO87050398 OAL No. PUC 08557-87
Customer Request Interrupt	Docket No. TT 90060604

NEW MEXICO

- U.S. West Communications, Inc.

E-911 proceeding	Docket No. 92-79-TC
General rate proceeding	Docket No. 92-227-TC
General rate/depreciation proceeding	Case No. 3008
Subsidy Case	Case No. 3325
USF Case	Case No. 3223

- VALOR Communications

Subsidy Case	Case No. 3300

OHIO

- Ohio Bell Telephone Company

General rate proceeding	Docket No. 79-1184-TP-AIR
General rate increase	Docket No. 81-1433-TP-AIR
General rate increase	Docket No. 83-300-TP-AIR
Access charges	Docket No. 83-464-TP-AIR

- General Telephone of Ohio

General rate proceeding	Docket No. 81-383-TP-AIR

- United Telephone Company

General rate proceeding	Docket No. 81-627-TP-AIR

OKLAHOMA

- Public Service of Oklahoma

Depreciation case	Cause No. 96-0000214

PENNSYLVANIA

- GTE North, Inc.	
Interconnection proceeding	Docket No. A-310125F002
- Bell Telephone Company of Pennsylvania	
Alternative Regulation proceeding	Docket No. P-00930715
Automatic Savings	Docket No. R-953409
Rate Rebalance	Docket No. R-00963550
- Enterprise Telephone Company	
General rate proceeding	Docket No. R-922317
- All companies	
InterLATA Toll Service Invest.	Docket No. I-910010
Joint Petition for Global Resolution of Telecommunications Proceedings	Docket Nos. P-00991649, P-00991648, M-00021596
- GTE North and United Telephone Company	
Local Calling Area Case	Docket No. C-902815
- Verizon	
Joint Application of Bell Atlantic and GTE for Approval of Agreement and Plan of Merger	Docket Nos. A-310200F0002, A-311350F0002, A-310222F0002, A-310291F0003
Access Charge Complaint Proceeding	Docket No. C-200271905

SOUTH DAKOTA

- Northwestern Bell Telephone Company	
General rate proceeding	Docket No. F-3375

TENNESSEE
(on behalf of Time Warner Communications)

- BellSouth Telephone Company	
Avoidable costs case	Docket No. 96-00067

UTAH

- U.S. West Communications (Mountain Bell Telephone Company)	
General rate case	Docket No. 84-049-01
General rate case	Docket No. 88-049-07
800 Services case	Docket No. 90-049-05
General rate case/ incentive regulation	Docket No. 90-049-06/90-049-03
General rate case	Docket No. 92-049-07
General rate case	Docket No. 95-049-05
General rate case	Docket No. 97-049-08
Qwest Price Flexibility-Residence	Docket No. 01-2383-01
Qwest Price Flexibility-Business	Docket No. 02-049-82
Qwest Price Flexibility-Residence	Docket No. 03-049-49

Qwest Price Flexibility-Business	Docket No. 03-049-50

VIRGIN ISLANDS, U.S.

- Virgin Islands Telephone Company	
General rate case	Docket No. 264
General rate case	Docket No. 277
General rate case	Docket No. 314
General rate case	Docket No. 316

VIRGINIA

- General Telephone Company of the South	
Jurisdictional allocations	Case No. PUC870029
Separations	Case No. PUC950019

WASHINGTON

- US West Communications, Inc.	
Interconnection case	Docket No. UT-960369
General rate case	Docket No. UT-950200
- All Companies-	Analyzed the local calling areas in the State

WISCONSIN

- Wisconsin Bell Telephone Company	
Private line rate proceeding	Docket No. 6720-TR-21
General rate proceeding	Docket No. 6720-TR-34